

**HAWKEYE COMMUNITY COLLEGE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS
JUNE 30, 2007**

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HAWKEYE COMMUNITY COLLEGE OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees		
Mark Birdnow	Chairperson	2009
Ruth Niemann	Vice Chairperson	2010
Dr. Charles Johnson	Member	2008
Micaela Lorenz	Member	2008
Luane Lorenzen	Member	2009
Ronald McGregor	Member	2010
Casey McLaughlin	Member	2010
Donna Miller	Member	2009
Miriam Tyson	Member	2008

Community College (As of June 30, 2007)

Greg Schmitz	President
Galen Howsare	Vice President, Administration and Finance
Linda Nielsen	Board Treasurer
Donna McNulty	President Secretary
Denise Dunn	Board Secretary



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hawkeye Community College
Waterloo, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Hawkeye Community College, Waterloo, Iowa, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hawkeye Community College at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, on our consideration of Hawkeye Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hawkeye Community College's basic financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006. Other supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 29, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

Management of Hawkeye Community College provides this Management's Discussion and Analysis of the college's annual financial statements. This narrative overview and analysis of the financial activities of Hawkeye Community College is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- College operating revenues totaled \$24,425,442 for fiscal year 2007 and decreased \$2,897,384, as compared to fiscal year 2006 operating revenues of \$27,322,826. The decrease resulted primarily from decreases in revenue from Iowa Industrial New Jobs Training Program and a decrease in Federal Appropriations.
- College operating expenses totaled \$39,094,955 for fiscal year 2007 and decreased \$1,686,168, as compared to fiscal year 2006 operating expenses of \$40,781,123. The decrease resulted primarily from decreases in adult education and the Workforce Investment Act.
- The College's net assets increased 11.4%, or \$5,964,111, from the year ended 2006

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The Basic Financial Statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the College's budget for the year.

Other Supplementary Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

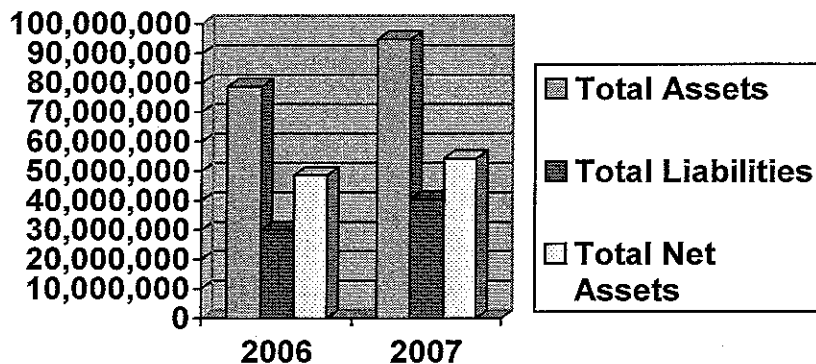
REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Assets

The statement of net assets presents the assets, liabilities and net assets of the College as a whole, as of the end of the fiscal year June 30, 2007. The statement of net assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The statement of net assets includes year-end information concerning current and non-current assets, current and non-current liabilities and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Assets

	June 30, 2007	June 30, 2006
Current and Other Assets	\$ 68,847,022	\$ 55,026,169
Capital Assets, Net of Accumulated Depreciation	29,824,442	27,283,707
Total Assets	98,671,464	82,309,876
Current Liabilities	22,097,985	15,522,110
Non-current Liabilities	18,423,053	14,601,451
Total Liabilities	40,521,038	30,123,561
Net Assets:		
Invested in Capital Assets, Net of Related Debt	23,164,221	24,955,669
Restricted	20,986,178	15,988,302
Unrestricted	14,000,027	11,242,344
Total Net Assets	\$ 58,150,426	\$ 52,186,315



Comparison of Net Assets

A portion of the College's net assets (40%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (36%) includes resources that are subject to external restrictions. The remaining net assets (24%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues earned by the College, both operating and non-operating, and the expenses incurred by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Hawkeye Community College, will report an operating loss since the financial reporting model classifies state appropriations and property taxes as non-operating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

Changes in Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006
Operating Revenues:		
Tuition and Fees, net of scholarship allowances	\$ 9,064,604	\$ 9,412,882
Federal Appropriations	7,900,156	8,640,955
Iowa Industrial New Jobs Training Program	3,090,789	5,405,079
Auxiliary Enterprises Revenue, net of scholarships	2,469,717	2,399,139
Sales and Services	-	23,377
Gifts and Grants	29,973	-
Miscellaneous	1,870,203	1,441,394
Total Operating Revenues	<u>24,425,442</u>	<u>27,322,826</u>
Total Operating Expenses	<u>39,094,955</u>	<u>40,781,123</u>
Operating Loss	(14,669,513)	(13,458,297)
Non-Operating Revenues (Expenses)		
State Appropriations	12,318,253	12,001,695
Property Taxes	6,759,565	6,584,025
Interest Income from Investments	2,290,173	1,512,019
Miscellaneous	27,000	45,792
Gain/(Loss) on Sale of Capital Assets	2,913	(39,799)
Foundation Revenue, net of expenses	299,465	453,367
Interest on Indebtedness	(1,063,745)	(66,625)
Net Non-Operating Revenues	<u>20,633,624</u>	<u>20,490,474</u>
Increase in Net Assets	5,964,111	7,032,177
Net assets Beginning of Year	<u>52,186,315</u>	<u>45,154,138</u>
Net Assets Ending of Year	<u>\$ 58,150,426</u>	<u>\$ 52,186,315</u>

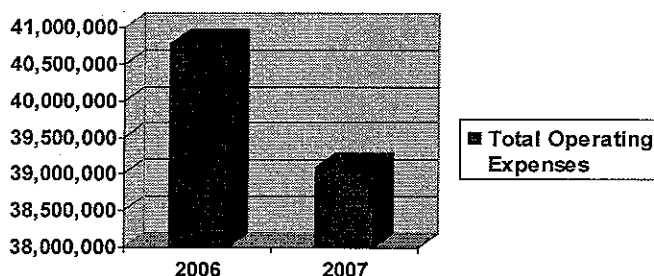
The statement of revenues, expenses and changes in net assets reflects a positive year, with increases in the net assets of \$5,964,111, at the end of the current fiscal year.

In fiscal year 2007, the major fluctuations in revenues were a result of the following changes:

- Federal Appropriations decreased \$740,799 due to decreases in Pell Grants and other Federal support.
- Iowa Industrial New Jobs Program revenues decreased \$2,314,290 due to the timing of the projects and the variability of the revenue accounts. Overall revenue is influenced not only by the withholding revenues received from the companies, but also the amount of reimbursed expenses the company had throughout the year.

Operating Expenses

	Year Ended June 30, 2007	Year Ended June 30, 2006
Education and Support:		
Liberal Arts and Sciences	\$ 6,041,749	\$ 5,057,359
Vocational Technical	7,778,343	7,699,195
Adult Education	2,366,688	3,106,555
Cooperative Services	4,690,637	3,592,712
General Administration	2,770,850	2,387,875
Student Services	2,065,897	2,114,127
Learning Resources	786,252	707,466
Physical Plant	3,241,463	3,608,232
General Institution	4,451,111	4,846,020
Sub-total	34,192,990	33,119,541
Auxiliary Enterprises	2,747,075	2,591,077
Scholarships and Grants	607,306	1,825,381
Workforce Investment Act	-	1,688,297
Depreciation Expense	1,547,584	1,556,827
Total	\$ 39,094,955	\$ 40,781,123



In fiscal year 2007, the major fluctuations in operating expenses were a result of the following factors:

- Cooperative expenditures increased \$1,097,925 primarily due to additional training dollars available for the issuance of additional New Jobs training certificates.
- Liberal Arts and Sciences increased \$984,390, primarily due to increased programming and enrollment.

Statement of Cash Flows

The statement of cash flows is an important tool in helping the users to assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing and investing activities.

Cash Flows

	Year Ended June 30, 2007	Year Ended June 30, 2006
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (10,140,362)	\$ (14,329,317)
Non-Capital Financing Activities	19,078,000	19,511,986
Capital and Related Financing Activities	(773,928)	(6,286,882)
Investing Activities	(5,953,461)	703,123
Net Increase/(Decrease) in Cash and Cash Equivalents	2,210,249	(401,090)
Cash and Cash Equivalents at Beginning of Year	6,707,222	7,108,312
Cash and Cash Equivalents at End of Year	<u>\$ 8,917,471</u>	<u>\$ 6,707,222</u>

Cash used by operating activities includes tuition, fees, grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations and local property taxes received by the College. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income earned.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the College had \$29,448,601 invested in capital assets, which was net of accumulated depreciation of \$20,123,267. Depreciation expense totaled \$1,547,584 for fiscal year 2007. Details of the capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2007	June 30, 2006
Land	\$ 755,020	\$ 755,020
Buildings	32,064,780	32,064,780
Other Structures and Improvements	6,994,100	4,770,755
Furniture and Equipment	8,633,510	7,883,978
Construction in Progress	1,500,299	767,484
Total Capital Assets	<u>\$ 49,947,709</u>	<u>\$ 46,242,017</u>

Planned capital expenditures for the fiscal year ended June 30, 2007 and beyond includes the continued expansion of Black Hawk Hall to add more classrooms and office space and the Student Center opening the Spring of 2008. Infrastructure improvements include renovation of heating and cooling systems and some road improvements on campus. More detailed information about the College's capital assets is presented in Note 4 to the basic financial statements.

Long-Term Debt

As of June 30, 2007, the College had \$22,160,710 in debt outstanding, an increase of \$5,163,181 from June 30, 2006. The table below summarizes these amounts by type.

Outstanding Debt

	Year Ended June 30, 2007	Year Ended June 30, 2006
Certificate Payable	\$ 15,745,000	\$ 14,700,000
General Obligation Bonds	6,340,000	2,210,000
Notes Payable	75,710	87,529
Total	<u>\$ 22,160,710</u>	<u>\$ 16,997,529</u>

More detailed information about the College's outstanding debt is presented in Note 5 to the basic financial statements.

ECONOMIC FACTORS

Hawkeye Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- Expenses continue to increase. As the number of students increase, the costs of serving them continue to increase.
- Facilities at the College require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes quickly outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

The College anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers in the community college, and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Hawkeye Community College, 1501 E. Orange Road, P.O. Box 8015, Waterloo, Iowa 50704-8015.

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HAWKEYE COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 8,917,471
Endowment Cash and Cash Equivalents	146,692
Endowment Investments	2,413,976
Pooled Investments	36,333,212
Receivables:	
Due from Others, Net of Allowance for Uncollectible	
Accounts of \$2,077,761	2,067,965
Accrued Interest	195,449
Property Taxes - Succeeding Year	5,519,000
Student Loans, Net of Allowance for Uncollectible	
Accounts of \$1,221,639	175,620
Loans Receivable, Net	-
Iowa Industrial New Jobs Training Program	1,100,900
Due From Other Governments	5,867,654
Prepaid Expenses	13,835
Inventories	208,474
Unamortized Discount	43,000

Total Current Assets	<u>63,003,248</u>
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Noncurrent Assets

Pooled Investments	2,234,318
Endowment Investments	862,210
Receivables:	
Iowa Industrial New Jobs Training Program	2,514,082
Unamortized Discount	219,870
Life Insurance Cash Value	13,294
Capital Assets:	
Land	755,020
Buildings	32,064,780
Construction in Progress	1,500,299
Other Structures and Improvements	6,994,100
Furniture and Equipment	8,633,510
Accumulated Depreciation	<u>(20,123,267)</u>

Total Noncurrent Assets	<u>35,668,216</u>
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TOTAL ASSETS	<u><u>\$ 98,671,464</u></u>
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HAWKEYE COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2007

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 1,400,856
Salaries and Benefits Payable	2,095,496
Accrued Interest Payable	73,546
Deferred Revenue:	
Succeeding Year Property Tax	5,519,000
Other	6,732,360
Compensated Absences	649,537
Early Retirement Payable	512,736
Assets Held in Custody for Others	444,454
Certificates Payable	2,455,000
General Obligation School Bonds	2,215,000
Notes Payable	12,519
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Total Current Liabilities	22,110,504
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Noncurrent Liabilities	
Unamortized Premium	30,509
Early Retirement Payable	901,834
Certificates Payable	13,290,000
General Obligation School Bonds	4,125,000
Notes Payable	63,191
	<hr/>
Total Noncurrent Liabilities	18,410,534
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TOTAL LIABILITIES	40,521,038
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	23,164,221
Restricted:	
Nonexpendable:	
Endowment	872,006
Expendable:	
Scholarships, Departmental Programs, and Loans	544,641
Loans	544,127
Debt Service	26,939
Cash Reserve	366,380
Other	18,632,085
Unrestricted	14,000,027
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TOTAL NET ASSETS	\$ 58,150,426
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HAWKEYE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

REVENUES

Operating Revenues:	
Tuition and Fees, net of scholarship allowances of \$4,625,218	\$ 9,064,604
Federal Appropriations	7,900,156
Iowa Industrial New Jobs Training Program	3,090,789
Gifts and Grants	29,973
Auxiliary Enterprises Revenue, net of scholarship allowances of \$309,392	2,469,717
Miscellaneous	<u>1,870,203</u>
Total Operating Revenues	<u>24,425,442</u>

EXPENSES

Operating Expenses:	
Education and Support:	
Liberal Arts and Sciences	6,041,749
Vocational Technical	7,778,343
Adult Education	2,366,688
Cooperative Services	4,690,637
General Administration	2,770,850
Student Services	2,065,897
Learning Resources	786,252
Physical Plant	3,241,463
General Institution	4,451,111
Auxiliary Enterprises	2,747,075
Scholarships and Grants	607,306
Depreciation Expense	<u>1,547,584</u>
Total Operating Expenses	<u>39,094,955</u>
Operating (Loss)	<u>(14,669,513)</u>

NON-OPERATING REVENUES (EXPENSES)

State Appropriations	12,318,253
Property Taxes	6,759,565
Donated Capital Assets	27,000
Interest Income from Investments	2,290,173
Gain on Sales of Capital Assets	2,913
Foundation Revenue, net of expense	299,465
Interest on Indebtedness	<u>(1,063,745)</u>
Net Non-Operating Revenues	<u>20,633,624</u>
Increase in Net Assets	5,964,111
Net Assets Beginning of Year	<u>52,186,315</u>
Net Assets End of Year	<u>\$ 58,150,426</u>

**HAWKEYE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

Cash Flows from Operating Activities:

Tuition and Fees	\$ 18,584,973
Grants and Contracts	1,025,908
Iowa Industrial New Jobs Training Program	4,109,669
Payments to Employees	(23,686,762)
Payments to Suppliers	(14,276,553)
Payments to NJTP Recipients	(1,198,817)
Collection of Loans to Students	82,559
Auxiliary Enterprise Net Activity	323,666
Other Receipts	<u>4,894,995</u>

Net Cash (Used) by Operating Activities (10,140,362)

Cash Flows from Non-Capital Financing Activities:

State Appropriations	12,318,252
Property Taxes	6,759,564
Miscellaneous Agency Fund Receipts	2,890,262
Miscellaneous Agency Fund Disbursements	<u>(2,890,078)</u>

Net Cash Provided from Non-Capital Financing Activities 19,078,000

Cash Flows from Capital and Related Financing Activities

Proceeds from Sale of Capital Assets	43,250
Purchases of Capital Assets	(3,887,654)
Proceeds from New Debt Issued	6,100,000
Principal Paid on Debt and Leases	(1,970,000)
Interest Paid on Debt and Leases	<u>(1,059,524)</u>

Net Cash (Used) by Capital and Related Financing Activities (773,928)

Cash Flows from Investing Activities:

Proceeds from Sales and Maturities of Investments	5,813,037
Purchase of Investments	(13,925,904)
Interest on Investments	<u>2,029,438</u>

Net Cash (Used) by Investing Activities (6,083,429)

Net Increase in Cash 2,080,281

Cash at Beginning of Year 6,983,882

Cash at End of Year \$ 9,064,163

Cash Reconciliation:

Cash and Cash Equivalents	\$ 8,917,471
Endowment Cash and Cash Equivalents	<u>146,692</u>

\$ 9,064,163

**HAWKEYE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

Reconciliation of Operating Loss to Net Cash**(Used) by Operating Activities:**

Operating Loss	\$ (14,669,513)
Adjustments to Reconcile Operating Loss to Net Cash (Used) by Operating Activities:	
Depreciation	1,547,584
Changes in Assets and Liabilities:	
Decrease in Due From Others	1,153,423
Increase in Due From Students	(980,253)
Decrease in Notes Receivable	82,559
Increase in Due From Other Governments	(5,494,633)
Decrease in Inventories	2,539
Decrease in Prepaid Expenses	245,483
Increase in Accounts Payable	997,489
Increase in Salaries and Benefits Payable	696,896
Increase in Compensated Absences	92,633
Increase in Deferred Revenue	5,647,473
Decrease in Early Retirement Payable	(480,922)
Increase in NJTP Loans Payable	1,018,880

Total Adjustments	4,529,151
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Net Cash (Used) by Operating Activities	\$ (10,140,362)
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Noncash, Capital and Related Financing Activities:

The College received donated capital assets with a fair market value of \$27,000.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hawkeye Community College is a publicly supported school established and operated by Merged Area VII under the provisions of Chapter 260C of the Code of Iowa. Hawkeye Community College may offer programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. Hawkeye Community College may also offer up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Hawkeye Community College maintains seven sites throughout Waterloo, Cedar Falls, and Independence, Iowa, and has its administrative offices in Waterloo. Hawkeye Community College is governed by a Board of Trustees whose members are elected from each trustee district within Merged Area VII.

The College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hawkeye Community College has included all funds, organizations, agencies, boards, commissions and authorities. Hawkeye Community College has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with Hawkeye Community College are such that exclusion would cause Hawkeye Community College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on Hawkeye Community College.

These financial statements present Hawkeye Community College (the primary government) and its component units. The component unit discussed below is included in Hawkeye Community College's reporting entity because of the significance of its operational or financial relationship with the Community College. Certain disclosures about the component units have been audited separately and a report has been issued under a separate cover. The audited financial statements are available at the College.

Hawkeye Community College Technical Foundation is a non-profit corporation, whose purpose is to support the Community College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment and services. The Foundations financial activities are included as endowment funds in these financial statements. The Foundation is governed by a Board of Trustees, the majority of which are appointed by the Board of Trustees of the Community College. The Foundation operates on a June 30 fiscal year end. The financial statements of Hawkeye Community College Technical Foundation, Inc. can be obtained from: Business Services, Hawkeye Community College, 1501 E. Orange Road, P.O. Box 8015, Waterloo, IA 50704-8015.

B. Basis of Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following four net asset categories:

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the College, including the College's permanent endowment funds.

Expendable – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets: Net assets that are not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the Statement of Net Assets, Revenues, Expenses, and Changes in Net Assets and Cash Flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, Hawkeye Community College is considered a special-purpose government engaged only in business type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheets:

Cash and Pooled Investments -- Investments are stated at fair value.

For the purposes of the statement of cash flows, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amount of cash, and at the day of purchase, they have a maturity date no longer than three months.

Due From Other Governments -- This represents state aid, grants and reimbursements due from the State of Iowa, and grants and reimbursements due from the Federal government.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories -- Inventories are valued at lower of cost (first-in, first-out method) or market. Inventories consist of supplies and materials held for consumption, livestock and merchandise held for resale. The cost is recorded as an expenditure at the time individual inventory items are consumed or sold.

Property Tax Receivable -- Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) -- This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2007 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets -- Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the College), are reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized.

Capital assets are defined by the College as assets with initial, individual costs in excess of the following thresholds and estimated useful life in excess of two years. The College defines reportable capital assets as individual assets above \$ 5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Other Structures and Improvements	25 - 50
Furniture and Equipment	3 - 10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Salaries and Benefits Payable -- Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue -- When assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue. Deferred revenue consists of succeeding year property tax receivable, tuitions deposits, tuition and fees for a portion of summer classes, fees and registration for fall, and unearned revenue on 260 E and F projects.

Compensated Absences -- College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use of for payment upon termination, death or retirement. Amounts representing the cost of compensated absences plus related benefits are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2007.

Auxiliary Enterprise Revenues -- Auxiliary enterprise revenues primarily represent revenues generated by career education, adult education, farm operations, and food service.

Summer Session -- The Community College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the summer session class schedule.

Tuition and Fees -- Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

Operating and Non-operating Activities -- Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax and interest income.

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officer (NACUBO). Certain aid (loans and funds provided to students as awarded by third parties) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 -- CASH AND POOLED INVESTMENTS

The College's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Community College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The College's investment policy additionally limits investments in commercial paper to obligations that mature within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services, with no more than five percent at the time of purchase placed in the second highest classification. At the time of purchase not more than ten percent of the investment portfolio can be in these investments and no more than five percent of the investment portfolio can be invested in the securities of a single issuer.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2007, the Community College had the following investments:

Endowment Current Investments	\$ 2,413,976
Endowment Noncurrent Investments	862,210
Current Pooled Investments	36,333,212
Noncurrent Pooled Investments	2,234,318
	<u>\$ 41,843,716</u>

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	1 to 5
Money Market Mutual Fund	\$ 34,996,931	\$ 34,996,931	\$ -
U S Government Securities	3,570,599	1,336,281	2,234,318
	<u>38,567,530</u>	<u>\$ 36,333,212</u>	<u>\$ 2,234,318</u>
<i>Endowment Securities:</i>			
Common Stocks	566,642		
U S. Government Agency Bonds	1,269,033		
U.S. Government Notes & Treasury Bil	49,656		
Mutual Equity Funds	1,063,112		
Mutual Income Funds	232,329		
Certificates of Deposit	95,414		
	<u>\$ 41,843,716</u>		

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 -- CASH AND POOLED INVESTMENTS

Interest rate risk. The Community College's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Community College.

Credit risk. The Community College's investments in Money Market Mutual Funds are unrated.

Concentration of credit risk. The College's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities, and obtain a reasonable rate of return. The policy allows for investments of up to 100% in interest bearing savings, money market and checking accounts, certificates of deposits, repurchase agreements, money market mutual funds, bonds, notes, certificates of indebtedness, treasury bills or other securities issued by the United States of America, its agencies and allowable instrumentalities; up to 10% in prime bankers' acceptances; and up to 10% in commercial paper. The policy does not allow the College to invest in futures, options or reverse purchase agreements.

Note 3 -- INVENTORIES

The Community College's inventories at June 30, 2007 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and Materials	\$ 19,924
Farm Operations	128,594
Merchandise Held for Resale	<u>59,956</u>
Total	<u>\$ 208,474</u>

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 4 -- CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 755,020	\$ -	\$ -	\$ 755,020
Construction in progress	767,484	1,464,872	732,057	1,500,299
Total capital assets not being depreciated	1,522,504	1,464,872	732,057	2,255,319
Capital assets being depreciated:				
Buildings	32,064,780	-	-	32,064,780
Other structures and improvements	4,770,755	2,278,799	55,454	6,994,100
Furniture and equipment	7,883,978	1,117,042	367,510	8,633,510
Total capital assets being depreciated	44,719,513	3,395,841	422,964	47,692,390
Less accumulated depreciation for:				
Buildings	11,552,276	629,743		12,182,019
Other structures and improvements	2,870,982	138,155	55,454	2,953,683
Furniture and equipment	4,535,052	779,686	327,173	4,987,565
Total accumulated depreciation	18,958,310	1,547,584	382,627	20,123,267
Total capital assets being depreciated, net	25,761,203	1,848,257	40,337	27,569,123
Capital assets, net	<u>\$ 27,283,707</u>	<u>\$ 3,313,129</u>	<u>\$ 772,394</u>	<u>\$ 29,824,442</u>

Furniture and Equipment of \$214,002 is included in the Agency Fund.

Land of \$375,841 is included in the Endowment Fund.

On June 30, 2007, the Community College has future construction commitments of \$4,977,179.

Note 5 -- CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Early Retirement Payable	Certificates Payable	Bonds Payable	Notes Payable	Total
Balance Beginning of Year	\$ 1,895,492	\$ 14,700,000	\$ 2,210,000	\$ 87,529	\$ 18,893,021
Additions	-	3,480,000	6,100,000	-	9,580,000
Reductions	(480,922)	(2,435,000)	(1,970,000)	(11,819)	(4,897,741)
Balance End of Year	<u>\$ 1,414,570</u>	<u>\$ 15,745,000</u>	<u>\$ 6,340,000</u>	<u>\$ 75,710</u>	<u>\$ 23,575,280</u>
Portion Due Within One Year	<u>\$ 512,736</u>	<u>\$ 2,455,000</u>	<u>\$ 2,215,000</u>	<u>\$ 12,519</u>	<u>\$ 5,195,255</u>

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 – CHANGES IN LONG-TERM DEBT (Continued)

Certificates Payable

In accordance with agreements dated between June 30, 1996 and June 30, 2007, the Community College issued certificates with a June 30, 2007 outstanding balance of \$15,745,000 with interest rates ranging from 3.25% to 7.90%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves, and, in the case of default, from standby property taxes. During 2007, Hawkeye Community College recorded \$870,858 of interest expense from the certificates payable.

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 2,455,000	\$ 874,455	\$ 3,329,455
2009	2,440,000	738,498	3,178,498
2010	2,305,000	603,492	2,908,492
2011	2,110,000	476,490	2,586,490
2012	1,635,000	358,108	1,993,108
2013-2017	4,800,000	676,074	5,476,074
Total	<u>\$ 15,745,000</u>	<u>\$ 3,727,117</u>	<u>\$ 19,472,117</u>

Bonds Payable

On April 1, 2004, the Community College issued \$6,500,000 in general obligation school bonds, to finance the construction of the 2004 addition to Black Hawk Hall. Principal payments are due annually on June 1 and interest payments are due semi-annually on June 1 and December 1. The bonds mature June 1, 2008. The balance of this bond issue at June 30, 2007 is \$1,115,000.

On October 1, 2006, Hawkeye Community College issued \$6,100,000 in general obligation school bonds, to finance the improvement of its Main Campus and construct, remodel, erect and equip buildings thereon, and construct, lease, or acquire and improve and equip new or existing facilities. Annual principal payments began June 1, 2007. Interest payments are due semi-annually each June and December. The capital loan notes will mature June 2012. The balance of the general obligation school bonds at June 30, 2007, was \$5,225,000.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 -- CHANGES IN LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Details of the Community College's June 30, 2007 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 2,215,000	\$ 207,963	\$ 2,422,963
2009	1,100,000	144,375	1,244,375
2010	1,025,000	105,875	1,130,875
2011	1,000,000	70,000	1,070,000
2012	1,000,000	35,000	1,035,000
Total	<u>\$ 6,340,000</u>	<u>\$ 563,213</u>	<u>\$ 6,903,213</u>

Notes Payable (Continued)

Notes payable in the Endowment Fund consists of a note payable to Regions Bank, with an interest rate of 5.35%, secured by farmland, payments of \$8,202, are due semi-annually each May and November, with the final payment due November 1, 2009. Details of the Endowment's Notes Payable are as follows:

Year Ending June 30,	Principal
2008	\$ 12,519
2009	13,198
2010	<u>49,993</u>
Total	<u>\$ 75,710</u>

Note 6 -- OPERATING LEASES

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2008 and 2010 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 6 -- OPERATING LEASES (Continued)

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2007:

Year Ending June 30,	Amount
2008	\$ 131,867
2009	75,159
2010	50,580
2011	8,667
Total	<u>\$ 266,273</u>

Rents for the year ended June 30, 2007 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$161,570.

Note 7 -- IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

The Community College contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and Hawkeye Community College is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. Hawkeye Community College's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$469,877, \$463,111, and \$438,375, respectively, equal to the required contribution for each year.

Note 8 -- TEACHERS INSURANCE AND ANNUITY ASSOCIATION -- COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)

The Community College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for Hawkeye Community College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and Hawkeye Community College is required to contribute 5.75%. The Community College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2007, were \$541,514 and \$505,208, respectively.

Note 9 -- RISK POOL

The Community College has secured insurance purchased from commercial insurance carriers to provide coverage and protection in the following categories: general liability, automobile liability, group excess liability, linebacker, pollution liability, professional services, property and inland marine, workers compensation and employers' liability, and crime insurance. There have been no reductions in insurance coverage from prior years. Settled claims resulting from the risks have not exceeded commercial insurance coverage in any of the past three years.

**HAWKEYE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 10 -- NEW JOBS TRAINING PROGRAMS

Hawkeye Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Merged Area VII in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property tax. The Community College is currently administering 112 projects receiving project funding or in the repayment stage.

Hawkeye Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Merged Area VII in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. The Community College received funding for 23 projects during fiscal year 2007.

Note 11 -- EARLY RETIREMENT PROGRAM

The College had an early retirement plan which expired during the year ended June 30, 2006. Full-time and certain regular part-time staff, who were 55 or older and who had at least 10 years of continuous service with the College, were eligible to receive early retirement remuneration. Retirement was to begin at the earlier of the end of the employee's contract or when a suitable replacement is found, if so requested. A staff member who accepted early retirement had three options to choose from as to when the cash benefits were to be received. In addition, the College will continue to contribute monthly amounts toward the employee's health insurance premiums. There were 16 employees who elected early retirement during the year ended June 30, 2006.

At June 30, 2007, there were employees receiving medical coverage under this plan, with a total liability of \$1,414,570. The liability is calculated based on unadjusted premium amounts to be paid over the term of each employee's involvement in the plan. The Community College's early retirement expense for the year ended June 30, 2007 was \$165,078.

Required Supplementary Information

HAWKEYE COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2007

Funds/Levy	Original Budget	Actual	Variance between Actual and Budget
Unrestricted	<u>\$ 27,934,100</u>	<u>\$ 28,135,573</u>	<u>\$ (201,473)</u>
Restricted	13,960,569	4,725,059	9,235,510
Early Retirement	1,243,334	165,078	1,078,256
Unemployment	25,635	3,327	22,308
Tort Liability	239,907	-	239,907
Insurance	276,109	272,183	3,926
Equipment Replacement	793,728	312,424	481,304
Total Restricted	<u>16,539,282</u>	<u>5,478,071</u>	<u>11,061,211</u>
Plant	4,906,164	3,320,231	1,585,933
Bonds and Interest	<u>6,423,786</u>	<u>2,168,288</u>	<u>4,255,498</u>
Total	<u>\$ 55,803,332</u>	<u>\$ 39,102,163</u>	<u>\$ 16,701,169</u>

See Accompanying Independent Auditor's Report

**HAWKEYE COMMUNITY COLLEGE
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION – BUDGETARY REPORTING
JUNE 30, 2007**

The Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the Community College on a basis consistent with U.S. generally accepted accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Trustees certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures. There were no budget amendments during the year.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

For the year ended June 30, 2007, the Community College's expenditures did not exceed the amount budgeted.

Other Supplementary Information

HAWKEYE COMMUNITY COLLEGE
NOTES TO OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2007

Other supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The various fund groups and their designated purposes are as follows:

Current Funds -- The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the Community College and consist of the following:

Unrestricted Fund -- The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the Community College.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the Community College.

Restricted Fund -- The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Endowment Fund -- The Hawkeye Community College Foundation is reported as an endowment fund since the net assets are maintained under the separate control of the Foundation Board and are not accessible directly by the Community College. A portion of the Foundation net assets are restricted by donors where the principal is maintained inviolate and only the income from these funds may be used.

Plant Funds -- The Plant Funds are used to account for transactions relating to investment in the Community College properties, and consist of the following self-balancing subfunds:

Unexpended -- This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of Indebtedness -- This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in Plant -- This account is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds -- The Agency Funds are used to account for assets held by the Community College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities.

Statements presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balances is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**HAWKEYE COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2007**

	Current Funds		
	Unrestricted	Restricted	Endowment
ASSETS:			
Cash and Investments	\$ 8,847,464	\$ 31,371,862	\$ -
Endowment Cash and Investments	-	-	3,422,878
Receivables:			
Due From Others	1,544,058	521,286	2,621
Accrued Interest	20,786	125,088	15,706
Property Taxes - Succeeding Year	1,312,000	438,000	-
Student Loans	84,038	-	91,582
Iowa Industrial New Jobs Training Program	-	3,614,982	-
Due From Other Governments	5,802,526	22,646	-
Prepaid Expenses	13,835	-	-
Inventories	208,474	-	-
Unamortized Discounts	-	262,870	-
Life Insurance Cash Value	-	-	13,294
Capital Assets:			
Land	-	-	375,841
Buildings	-	-	-
Construction in Progress	-	-	-
Other Structures and Improvements	-	-	-
Furniture and Equipment	-	-	-
Accumulated Depreciation	-	-	-
Total Assets	\$ 17,833,181	\$ 36,356,734	\$ 3,921,922
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 1,397,437	\$ -	\$ 3,419
Salaries and Benefits Payable	2,095,496	-	-
Accrued Interest Payable	-	72,871	675
Deferred Revenue:			
Succeeding Year Property Tax	1,312,000	438,000	-
Other	6,254,715	477,645	-
Early Retirement Payable	-	1,414,570	-
Compensated Absences	649,537	-	-
Assets Held in Custody For Others	-	-	-
Unamortized Premium	-	-	-
Notes Payable	-	-	75,710
Certificates Payable	-	15,745,000	-
General Obligation School Bonds	-	-	-
Total Liabilities	11,709,185	18,148,086	79,804
Fund Balance:			
Invested in Capital Assets Net of Related Debt	-	-	300,131
Restricted:			
Nonexpendable:			
Endowment	-	-	872,006
Expendable:			
Scholarships	-	120,072	424,569
Loans	(395,097)	-	939,224
Debt Service	-	-	-
Cash Reserve	-	366,380	-
Other	-	17,722,196	909,889
Unrestricted	4,263,613	-	396,299
Auxiliary Enterprises	2,255,480	-	-
Total Fund Balance	6,123,996	18,208,648	3,842,118
Total Liabilities and Fund Balance	\$ 17,833,181	\$ 36,356,734	\$ 3,921,922

SCHEDULE 1

Plant Funds		Investment in Plant	Agency Funds	Adjustments	Total
Unexpended	Retirement of Indebtedness				
\$ 7,035,223	\$ -	\$ -	\$ 230,452	\$ -	\$ 47,485,001
-	-	-	-	-	3,422,878
-	-	-	-	-	2,067,965
33,869	-	-	-	-	195,449
1,312,000	2,457,000	-	-	-	5,519,000
-	-	-	-	-	175,620
-	-	-	-	-	3,614,982
15,543	26,939	-	-	-	5,867,654
-	-	-	-	-	13,835
-	-	-	-	-	208,474
-	-	-	-	-	262,870
-	-	-	-	-	13,294
-	-	379,179	-	-	755,020
-	-	32,064,780	-	-	32,064,780
-	-	1,500,299	-	-	1,500,299
-	-	6,994,100	-	-	6,994,100
-	-	8,419,508	214,002	-	8,633,510
-	-	-	-	(20,123,267)	(20,123,267)
<u>\$ 8,396,635</u>	<u>\$ 2,483,939</u>	<u>\$ 49,357,866</u>	<u>\$ 444,454</u>	<u>\$ (20,123,267)</u>	<u>\$ 98,671,464</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400,856
-	-	-	-	-	2,095,496
-	-	-	-	-	73,546
-	-	-	-	-	5,519,000
1,312,000	2,457,000	-	-	-	6,732,360
-	-	-	-	-	1,414,570
-	-	-	-	-	649,537
-	-	-	444,454	-	444,454
-	-	30,509	-	-	30,509
-	-	-	-	-	75,710
-	-	-	-	-	15,745,000
-	-	6,340,000	-	-	6,340,000
1,312,000	2,457,000	6,370,509	444,454	-	40,521,038
-	-	42,987,357	-	(20,123,267)	23,164,221
-	-	-	-	-	872,006
-	-	-	-	-	544,641
-	-	-	-	-	544,127
-	26,939	-	-	-	26,939
-	-	-	-	-	366,380
-	-	-	-	-	18,632,085
7,084,635	-	-	-	-	11,744,547
-	-	-	-	-	2,255,480
<u>7,084,635</u>	<u>26,939</u>	<u>42,987,357</u>	<u>-</u>	<u>(20,123,267)</u>	<u>58,150,426</u>
<u>\$ 8,396,635</u>	<u>\$ 2,483,939</u>	<u>\$ 49,357,866</u>	<u>\$ 444,454</u>	<u>\$ (20,123,267)</u>	<u>\$ 98,671,464</u>

See Accompanying Independent Auditor's Report

**HAWKEYE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	Current Funds		Endowment
	Unrestricted	Restricted	
REVENUES AND OTHER ADDITIONS:			
General:			
State Appropriations	\$ 11,368,641	\$ 807,183	\$ -
Tuition and Fees	13,689,822	-	-
Property Taxes	1,289,763	1,879,102	-
Federal Appropriations	709,868	7,190,288	-
Gifts and Grants	-	29,973	-
Investment Earnings	706,649	1,250,307	-
Iowa Industrial New Jobs Training Program	-	3,090,789	-
Increase in Plant Investment Due to Donated Assets	-	-	-
Expended for Plant Facilities (Including \$826,357			
charged to current funds)	-	-	-
Principal Retired	-	-	-
Proceeds from Sale of Bonds	-	-	-
Gain on Sale of Capital Assets	-	-	-
Miscellaneous	384,223	1,529,230	-
	<u>28,148,966</u>	<u>15,776,872</u>	<u>-</u>
 Auxiliary Enterprises			
Tuition and Fees	960,378	-	-
Sales and Services	1,671,071	-	-
Miscellaneous	147,660	-	-
	<u>2,779,109</u>	<u>-</u>	<u>-</u>
 Foundation Revenue, Gains & Support	<u>-</u>	<u>-</u>	<u>882,652</u>
 Total Revenues and Other Additions	<u>\$ 30,928,075</u>	<u>\$ 15,776,872</u>	<u>\$ 882,652</u>

SCHEDULE 2

Plant Funds				
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
\$ 142,429	\$ -	\$ -	\$ -	\$ 12,318,253
-	-	-	(4,625,218)	9,064,604
1,289,763	2,300,937	-	-	6,759,565
-	-	-	-	7,900,156
-	-	-	-	29,973
333,217	-	-	-	2,290,173
-	-	-	-	3,090,789
-	-	27,000	-	27,000
-	-	3,887,654	(3,887,654)	-
-	-	1,970,000	(1,970,000)	-
6,100,000	-	-	(6,100,000)	-
-	-	-	2,913	2,913
-	-	-	(43,250)	1,870,203
<u>7,865,409</u>	<u>2,300,937</u>	<u>5,884,654</u>	<u>(16,623,209)</u>	<u>43,353,629</u>
-	-	-	(309,392)	650,986
-	-	-	-	1,671,071
-	-	-	-	147,660
<u>-</u>	<u>-</u>	<u>-</u>	<u>(309,392)</u>	<u>2,469,717</u>
-	-	-	-	882,652
<u>\$ 7,865,409</u>	<u>\$ 2,300,937</u>	<u>\$ 5,884,654</u>	<u>\$(16,932,601)</u>	<u>\$ 46,705,998</u>

**HAWKEYE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	Current Funds		
	Unrestricted	Restricted	Endowment
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and Support:			
Liberal Arts and Sciences	\$ 6,041,749	\$ -	\$ -
Vocational Technical	7,942,304	-	-
Adult Education	2,366,688	-	-
Cooperative Services	-	4,728,957	-
General Administration	2,330,262	440,588	-
Student Services	2,065,897	-	-
Learning Resources	786,252	-	-
Physical Plant	3,106,748	312,424	-
General Institution	3,494,844	813,859	-
Total Education and Support	28,134,744	6,295,828	-
Auxiliary Enterprises	3,070,686	-	-
Scholarships and Grants	-	5,541,916	168,435
Plant Asset Acquisitions	-	-	-
Retirement of Indebtedness	-	-	-
Disposal of Plant Assets	-	-	-
Interest on Indebtedness	829	870,858	-
Issuance of Long-Term Debt	-	-	-
Depreciation	-	-	-
Foundation Program and Supporting Services	-	-	414,752
Total Expenditures and Other Deductions	31,206,259	12,708,602	583,187
Excess of Revenues and Other Additions			
Over (Under) Expenditures and Other Deductions	(278,184)	3,068,270	299,465
Fund Balance June 30, 2006	6,402,180	15,140,378	3,542,653
Fund Balance June 30, 2007	\$ 6,123,996	\$ 18,208,648	\$ 3,842,118

SCHEDULE 2

Plant Funds				
Unexpended	Retirement of Indebtedness	Investment in Plant	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 6,041,749
-	-	-	(163,961)	7,778,343
-	-	-	-	2,366,688
-	-	-	(38,320)	4,690,637
-	-	-	-	2,770,850
-	-	-	-	2,065,897
-	-	-	-	786,252
-	-	-	(177,709)	3,241,463
258,933	6,230	-	(122,755)	4,451,111
<u>258,933</u>	<u>6,230</u>	<u>-</u>	<u>(502,745)</u>	<u>34,192,990</u>
-	-	-	(323,611)	2,747,075
-	-	-	(4,934,610)	775,741
3,061,298	-	-	(3,061,298)	-
-	1,970,000	-	(1,970,000)	-
-	-	422,964	(422,964)	-
-	192,058	-	-	1,063,745
-	-	6,100,000	(6,100,000)	-
-	-	-	1,547,584	1,547,584
-	-	-	-	414,752
<u>3,320,231</u>	<u>2,168,288</u>	<u>6,522,964</u>	<u>(15,767,644)</u>	<u>40,741,887</u>
4,545,178	132,649	(638,310)	(1,164,957)	5,964,111
<u>2,539,457</u>	<u>(105,710)</u>	<u>43,625,667</u>	<u>(18,958,310)</u>	<u>52,186,315</u>
<u>\$ 7,084,635</u>	<u>\$ 26,939</u>	<u>\$ 42,987,357</u>	<u>\$(20,123,267)</u>	<u>\$ 58,150,426</u>

**HAWKEYE COMMUNITY COLLEGE
UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
EDUCATION AND SUPPORT
YEAR ENDED JUNE 30, 2007**

	Education		
	Liberal Arts and Sciences	Vocational Technical	Adult Education
REVENUES:			
State Appropriations	\$ -	\$ 69,626	\$ 2,794
Tuition and Fees	3,088,155	9,528,603	708,989
Property Taxes	-	-	-
Federal Appropriations	-	272,040	243,543
Investment Earnings	-	-	-
Miscellaneous	-	27,294	17,783
	<u>3,088,155</u>	<u>9,897,563</u>	<u>973,109</u>
Allocation of Support Services	<u>5,871,880</u>	<u>6,364,277</u>	<u>1,953,982</u>
Total Revenues	<u>8,960,035</u>	<u>16,261,840</u>	<u>2,927,091</u>
EXPENDITURES:			
Salaries and Benefits	5,708,768	7,093,027	2,293,324
Services	121,816	257,437	7,903
Materials and Supplies	105,433	395,579	60,318
Travel	66,244	32,298	5,143
Expended for Plant Facilities	-	163,963	-
Interest on Indebtedness	-	-	-
Miscellaneous	39,488	-	-
	<u>6,041,749</u>	<u>7,942,304</u>	<u>2,366,688</u>
Allocation of Support Services	<u>4,876,563</u>	<u>5,285,497</u>	<u>1,622,771</u>
Total Expenditures	<u>10,918,312</u>	<u>13,227,801</u>	<u>3,989,459</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,958,278)</u>	<u>\$ 3,034,039</u>	<u>\$ (1,062,368)</u>

Fund Balance June 30, 2006

Fund Balance June 30, 2007

Note: The support services allocations are based on the percentage of contact hours reported.

SCHEDULE 3

Support					
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total
\$ -	\$ -	\$ 1,130	\$ -	\$ 11,295,091	\$ 11,368,641
-	472,724	-	-	(108,649)	13,689,822
1,289,763	-	-	-	-	1,289,763
10,210	-	-	-	184,075	709,868
706,649	-	-	-	-	706,649
105,411	43,504	121,089	1,630	67,512	384,223
2,112,033	516,228	122,219	1,630	11,438,029	28,148,966
(2,112,033)	(516,228)	(122,219)	(1,630)	(11,438,029)	-
-	-	-	-	-	28,148,966
1,290,601	1,769,448	529,938	1,344,349	2,011,042	22,040,497
261,097	178,660	97,419	1,636,442	1,038,252	3,599,026
2,557	99,480	154,582	101,544	274,673	1,194,166
50,764	18,309	4,313	418	48,122	225,611
-	-	-	23,995	122,755	310,713
829	-	-	-	-	829
725,243	-	-	-	-	764,731
2,331,091	2,065,897	786,252	3,106,748	3,494,844	28,135,573
(2,331,091)	(2,065,897)	(786,252)	(3,106,748)	(3,494,844)	-
-	-	-	-	-	28,135,573
\$ -	\$ -	\$ -	\$ -	\$ -	13,393
					3,855,123
					\$ 3,868,516

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**HAWKEYE COMMUNITY COLLEGE
CURRENT UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISES
YEAR ENDED JUNE 30, 2007**

	Career Education	Adult Education	Farm Operations	Food Service	Other	Total
REVENUES:						
Sales and Services	\$ 1,293,829	\$ -	\$ 228,943	\$ 40,165	\$ 108,134	\$ 1,671,071
Tuition and Fees	1,120	377,936	-	-	581,322	960,378
Miscellaneous	23,820	25,001	-	-	98,839	147,660
Total Revenues	1,318,769	402,937	228,943	40,165	788,295	2,779,109
EXPENDITURES:						
Salaries and Benefits	42,459	9,486	1,428	-	274,559	327,932
Services	57,446	4,410	22,386	1,786	415,312	501,340
Materials and Supplies	803,624	264,072	183,072	9,817	419,194	1,679,779
Cost of Goods Sold	210,439	-	-	-	78	210,517
Travel	10,349	8,369	473	-	5,812	25,003
Expended for Plant Facilities	43,138	12,623	-	52,023	215,827	323,611
Miscellaneous	29	2,475	-	-	-	2,504
Total Expenditures	1,167,484	301,435	207,359	63,626	1,330,782	3,070,686
Excess (Deficiency) of Revenues Over (Under) Expenditures	151,285	101,502	21,584	(23,461)	(542,487)	(291,577)
Fund Balance June 30, 2006	1,036,078	624,875	31,882	110,658	743,564	2,547,057
Fund Balance June 30, 2007	<u>\$ 1,187,363</u>	<u>\$ 726,377</u>	<u>\$ 53,466</u>	<u>\$ 87,197</u>	<u>\$ 201,077</u>	<u>\$ 2,255,480</u>

**HAWKEYE COMMUNITY COLLEGE
CURRENT RESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2007**

	Scholarships and Grants	Early Retirement	Equipment Replacement	Insurance
REVENUES:				
State Appropriations	\$ 239,190	\$ -	\$ -	\$ -
Property Taxes	-	1,243,712	191,075	439,157
Federal Appropriations and Grants	4,853,303	-	-	-
Scholarships, Grants, and Gifts	-	-	-	-
Interest on Investments	-	73,655	6,624	13,304
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	436,578	-	-	4,913
Total Revenues	5,529,071	1,317,367	197,699	457,374
EXPENDITURES AND OTHER DEDUCTIONS:				
Salaries and Benefits	5,757	165,078	-	58,418
Services	-	-	-	209,345
Materials and Supplies	-	-	158,710	4,420
Travel	-	-	-	-
Expended for Plant Facilities	-	-	153,714	-
Interest on Indebtedness	-	-	-	-
Federal Pell Grant Program	4,658,094	-	-	-
Federal Supplemental Educational Opportunity Grant	156,775	-	-	-
Private Scholarships	721,290	-	-	-
Miscellaneous	-	-	-	-
Total Expenditures and Other Deductions	5,541,916	165,078	312,424	272,183
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Deductions	(12,845)	1,152,289	(114,725)	185,191
Fund Balance June 30, 2006	132,917	1,142,338	307,371	215,277
Fund Balance June 30, 2007	\$ 120,072	\$ 2,294,627	\$ 192,646	\$ 400,468

SCHEDULE 5

Unemployment Compensation	Cash Reserve	Workforce Act and Other JTPA Programs	Iowa Industrial New Jobs Training Program	Economic Development	Contracted Training	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 436,785	\$ 131,208	\$ -	\$ 807,183
5,158	-	-	-	-	-	-	1,879,102
-	-	1,671,385	-	-	-	665,600	7,190,288
-	-	5,427	-	-	-	24,546	29,973
1,589	-	-	92,290	1,062,845	-	-	1,250,307
-	-	-	2,772,643	-	-	318,146	3,090,789
-	-	11,626	-	587,316	-	488,797	1,529,230
6,747	-	1,688,438	2,864,933	2,086,946	131,208	1,497,089	15,776,872
3,327	-	1,039,547	-	483,688	-	422,162	2,177,977
-	-	491,978	1,198,817	142,535	271,412	291,968	2,606,055
-	-	30,333	82,635	61,421	-	54,016	391,535
-	-	123,598	95,953	10,077	-	13,226	242,854
-	-	-	-	38,320	-	-	192,034
-	-	-	870,858	-	-	-	870,858
-	-	-	-	-	-	-	4,658,094
-	-	-	-	-	-	-	156,775
-	-	-	-	-	-	30,087	751,377
-	-	3,159	623,268	32,216	-	2,400	661,043
3,327	-	1,688,615	2,871,531	768,257	271,412	813,859	12,708,602
3,420	-	(177)	(6,598)	1,318,689	(140,204)	683,230	3,068,270
85,957	366,380	277	2,124,784	8,957,831	667,535	1,139,711	15,140,378
<u>\$ 89,377</u>	<u>\$ 366,380</u>	<u>\$ 100</u>	<u>\$ 2,118,186</u>	<u>\$ 10,276,520</u>	<u>\$ 527,331</u>	<u>\$ 1,822,941</u>	<u>\$ 18,208,648</u>

HAWKEYE COMMUNITY COLLEGE
AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
YEAR ENDED JUNE 30, 2007

	Student Organizations	Miscellaneous	Total
Balance June 30, 2006	\$ 73,888	\$ 415,313	\$ 489,201
ADDITIONS:			
State Appropriations and Grants	-	81,919	81,919
Tuition and Fees	212,280	-	212,280
Sales and Services	35,027	2,239,964	2,274,991
Miscellaneous	53,324	8,815	62,139
Total Additions	300,631	2,330,698	2,631,329
DEDUCTIONS:			
Salaries and Benefits	45,114	414,051	459,165
Services	118,061	243,139	361,200
Materials and Supplies	154,226	1,668,524	1,822,750
Travel	15,809	1,495	17,304
Miscellaneous	8,288	7,369	15,657
Total Deductions	341,498	2,334,578	2,676,076
Balance June 30, 2007	\$ 33,021	\$ 411,433	\$ 444,454

HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
YEAR ENDED JUNE 30, 2007

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	67,867	-	67,867	1,176,555	-	1,176,555
Vocational Preparatory	59,237	-	59,237	1,274,997	-	1,274,997
Adult Education	-	-	-	332,516	59,105	391,621
Related Services and Activities	-	-	-	-	18,480	18,480
Total	<u>127,104</u>	<u>-</u>	<u>127,104</u>	<u>2,784,068</u>	<u>77,585</u>	<u>2,861,653</u>

HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF TAX AND INTERGOVERNMENTAL REVENUES
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2007	2006	2005	2004
Local (Property Tax)	\$ 6,759,565	\$ 6,584,025	\$ 6,056,036	\$ 4,441,456
State	12,318,253	12,001,695	10,597,041	11,151,485
Federal	<u>7,900,156</u>	<u>8,640,955</u>	<u>8,785,557</u>	<u>9,215,730</u>
Total	<u>\$ 26,977,974</u>	<u>\$ 27,226,675</u>	<u>\$ 25,438,634</u>	<u>\$ 24,808,671</u>

HAWKEYE COMMUNITY COLLEGE
CURRENT FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
State Appropriations	\$ 12,175,824	\$ 11,650,270	\$ 10,597,041	\$ 11,151,485
Tuition and Fees	13,689,822	13,120,651	12,378,473	11,859,508
Property Tax	3,168,865	3,099,872	2,585,590	3,231,443
Federal Appropriations	7,900,156	8,640,955	8,785,557	9,215,730
Interest on Investments	1,956,956	1,395,416	703,697	386,765
Iowa Industrial New Jobs Training Program	3,090,789	5,405,079	3,309,867	2,109,670
Auxiliary Enterprises	2,779,109	2,654,448	2,468,754	2,696,470
Miscellaneous	<u>1,943,426</u>	<u>1,462,271</u>	<u>1,170,881</u>	<u>994,822</u>
Total	<u>\$ 46,704,947</u>	<u>\$ 47,428,962</u>	<u>\$ 41,999,860</u>	<u>\$ 41,645,893</u>
Expenditures:				
Liberal Arts and Sciences	\$ 6,041,749	\$ 5,057,359	\$ 5,292,260	\$ 5,050,798
Vocational Technical	7,942,304	8,045,658	7,849,353	7,166,316
Adult Education	2,366,688	3,106,555	3,095,073	2,700,478
Cooperative Services	4,728,957	5,281,009	4,573,606	3,561,519
Administration	2,770,850	2,387,875	1,627,592	1,563,024
Student Services	2,065,897	2,114,127	1,891,325	1,420,694
Learning Resources	786,252	777,156	873,833	725,935
Physical Plant	3,419,172	3,137,263	3,045,993	3,082,672
General Institution	4,308,703	4,911,479	4,789,014	6,168,548
Auxiliary Enterprises	3,070,686	2,718,167	2,563,282	2,034,647
Scholarships and Grants	5,541,916	5,788,459	6,065,625	6,364,625
Loan Cancellations and Bad Debts	-	-	51,769	352,688
Interest on Indebtedness	<u>871,687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 43,914,861</u>	<u>\$ 43,325,107</u>	<u>\$ 41,718,725</u>	<u>\$ 40,191,944</u>

See Accompanying Independent Auditor's Report

HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
DIRECT:			
U. S. Department of Education:			
Student Financial Aid – Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 156,775	\$ -
Federal Work-Study Program (FWS)	84.033	180,922	-
Federal Pell Grant Program	84.063	4,658,094	-
Federal Direct Student Loans	84.268	-	12,753,401
Academic Competitiveness Grant	84.375	37,700	-
Total Student Financial Aid Cluster		5,033,491	12,753,401
C-Campus	84.335	16,613	-
TRIO - Student Support Services	84.042	225,868	-
Total Direct U.S. Department of Education		5,275,972	12,753,401
Corporation for National and Community Services:			
Senior Companion Program	94.016	371,092	-
Total Direct Expenditures		5,647,064	12,753,401
INDIRECT:			
U.S. Department of Education:			
Indirect Through the Iowa Department of Education:			
Adult Education - State Grant Program	84.002	365,145	-
Vocational Education - Basic Grants to States	84.048	272,040	-
Tech-Prep Education	84.243	74,129	-
Total Indirect U.S. Department of Education		711,314	-
U.S. Department of Labor:			
Indirect Through Iowa Workforce Development:			
Employment Service Cluster:			
Employment Service	17.207	30,572	-
Disabled Veteran's Outreach Program	17.801	2,878	-
Local Veteran's Employment Representative Program	17.804	2,878	-
Total		36,328	-
Workforce Investment Act (WIA):			
WIA Adult Program	17.258	320,525	-
WIA Youth Program	17.259	363,744	-
WIA Dislocated Workers	17.260	260,823	-
Total		945,092	-
Unemployment Insurance	17.225	16,940	-
Trade Adjustment Assistance	17.245	2,158	-
Work Incentive Grant	17.266	4,803	-
Family Literacy Grant	17.267	29,721	-
Total Indirect U.S. Department of Labor		1,035,042	-
U.S. Department of Health and Human Services:			
Indirect through Iowa Workforce Development:			
Temporary Assistance for Needy Families	93.558	661,483	-
U.S. Department of Agriculture:			
Indirect through Iowa Department of Nutrition:			
Child and Adult Care Food Program	10.558	9,191	-
Total Indirect Expenditures		2,417,030	-
Total Direct and Indirect Expenditures		\$ 8,064,094	\$ 12,753,401

See Accompanying Independent Auditor's Report

HAWKEYE COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

Note 1 -- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hawkeye Community College and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Hawkeye Community College
Waterloo, Iowa

We have audited the basic financial statements of Hawkeye Community College, Waterloo, Iowa, as of and for the year ended June 30, 2007, and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hawkeye Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hawkeye Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Community College's financial statements that is more than inconsequential will not be prevented or detected by the Community College's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Community College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkeye Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Community College's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Hawkeye Community College and other parties to whom Hawkeye Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hawkeye Community College during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
February 29, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Hawkeye Community College
Waterloo, Iowa

Compliance

We have audited the compliance of Hawkeye Community College, Waterloo, IA, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Hawkeye Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Hawkeye Community College's management. Our responsibility is to express an opinion on Hawkeye Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hawkeye Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hawkeye Community College's compliance with those requirements.

In our opinion, Hawkeye Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Hawkeye Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hawkeye Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hawkeye Community College's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Community College's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the Community College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A

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significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Community College's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Community College's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-07, III-B-07, and III-C-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Community College's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-07, III-B-07, and III-C-07 to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Hawkeye Community College and other parties to whom Hawkeye Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Williams + Company, P.C.

Certified Public Accountants

Spencer, Iowa
February 29, 2008

**HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

PART I – SUMMARY OF AUDITORS' RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (G) Major programs were as follows:
 - Student Financial Aid Cluster:
 - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)
 - CFDA Number 84.033 – Federal Work-Study Program
 - CFDA Number 84.063 – Federal Pell Grant Program
 - CFDA Number 84.268 – Federal Direct Student Loans
 - CFDA Number 84.375 – Academic Competitiveness Grant
 - Other Major Programs:
 - CFDA Number 84.002 – Adult Education - State Grant Program
 - CFDA Number 94.016 – Senior Companion Program
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Hawkeye Community College did not qualify as a low-risk auditee.

PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Reporting – During the audit, we identified material amounts of receivables, capital assets, and interest income not recorded or not properly recorded in the College's financial statements. Adjustments were subsequently made by the College, if applicable, to properly include or reclassify these amounts in the financial statements. The College also does not reconcile certain accounts or provide adequate support for their adjusting journal entries.

Recommendation – The College should implement a formal, organized month and year-end closing process that provides for timely reconciliation of certain account balances to ensure timely and accurate financial reporting. The College should also implement procedures to ensure all receivables, capital assets, and interest income are properly identified, classified, and included in the College's financial statements.

Response – We will develop a formal month and year-end closing process and revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

**HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

SIGNIFICANT DEFICIENCIES:

III-A-07 Financial Reporting – During the audit, we identified material amounts of receivables, capital assets, and interest income not recorded or not properly recorded in the College's financial statements. Adjustments were subsequently made by the College, if applicable, to properly include or reclassify these amounts in the financial statements. The College also does not reconcile certain accounts or provide adequate support for their adjusting journal entries.

Recommendation – The College should implement a formal, organized month and year-end closing process that provides for timely reconciliation of certain account balances to ensure timely and accurate financial reporting. The College should also implement procedures to ensure all receivables, capital assets, and interest income are properly identified, classified, and included in the College's financial statements.

Response – We will develop a formal month and year-end closing process and revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

**CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)
CFDA Number 84.033 – Federal Work-Study Program
CFDA Number 84.063 – Federal Pell Grant Program
CFDA Number 84.268 – Federal Direct Student Loans
CFDA Number 84.375 – Academic Competitiveness Grant
Federal Award Year - 2007**

III-B-07 Segregation of Duties – Until April 2007, the Financial Aid Director was responsible for determining financial aid awards, applying financial aid to students' accounts and drawing down grant funds from the Department of Education.

Recommendation – The College should continue to maintain separation of the duties of awarding and requesting grant funds.

Response – We will continue to separate these duties.

Conclusion - Response accepted.

**HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)
CFDA Number 84.033 – Federal Work-Study Program
CFDA Number 84.063 – Federal Pell Grant Program
CFDA Number 84.268 – Federal Direct Student Loans
CFDA Number 84.375 – Academic Competitiveness Grant
Federal Award Year - 2007

III-C-07 GAPS Drawdown Reconciliation – During the year, a reconciliation of the GAPS drawdowns for the entire year was not completed.

Recommendation – The Community College should implement a formal, organized process that provides for yearly reconciliation of drawdowns to ensure timely and accurate financial reporting.

Response – We will develop a formal reconciliation process of drawdowns for the entire year to ensure the proper amounts are recorded.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

IV-A-07: Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amount budgeted, in total, for the Unrestricted, Restricted or Plant Fund.

IV-B-07: Questionable Disbursements – No expenditures we believe did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07: Travel Expense – No expenditures of Hawkeye Community College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-D-07: Business Transactions – Business transactions between the Community College and the Community College officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Darrin Siefken, Adjunct Professor, Owner of Crawdaddy Outdoors, L.C.	Supplies	\$ 22,032

The transactions with the Adjunct Professor do not appear to represent conflicts of interest.

IV-E-07: Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-07: Publication – The Community College had published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

**HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

- IV-H-07: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- IV-I-07: Credit/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the Community College.

**HAWKEYE COMMUNITY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2007**

- 06-II-A Finding – The College did not post entries and reconcile beginning fund balance.
- Recommendation – The Community College should reconcile and post all adjustments on a timely basis and develop a month and year-end closing process to ensure timely and accurate financial reporting. Transactions affecting different funds should be recorded utilizing due to/from or transfer accounts versus posting the adjustment directly to fund balances.
- Current Status – Due to staffing changes, this recommendation is still in process.
- 06-II-B Finding – Lack of segregation of duties in determining student aid awards and requests for grant funding.
- Recommendation – The Community College should separate the duties of awarding grant funds and requesting grant funds. The financial aid department should not have access to draw down funds electronically from the Department of Education since this department has the responsibility for determining grant awards.
- Current Status – In April 2007, the Business Office became involved in the drawdown of funds from the Department of Education. Corrective action has been taken.
- 06-III-A Finding – Untimely notification to National Student Clearinghouse of student withdrawals.
- Recommendation – The Community College should review the process used to collect and transmit dates to the National Student Clearinghouse.
- Current Status – The Financial Aid Director has worked with both the Registration Office and the National Student Clearinghouse to set a schedule to ensure that the 60 day reporting requirement is met. The National Student Clearinghouse has added an additional reporting of enrollment information to the National Student Loan Data System. The additional reporting more closely matches the College's beginning, middle, and end term dates. Corrective action has been taken.
- 06-III-B Finding – An incorrect number of days and amount of Title IV aid was used when calculating the return of Title IV funds and using the incorrect amount of Title IV aid.
- Recommendation – The Community College should discontinue the two disbursements per semester with the fall 2007 semester. The College should implement a policy for determining the withdrawal dates for unofficial withdrawals.
- Current Status – In the past the Business Office has accounted for the Title IV calculations. Beginning in April 2007, these calculations were performed by the Financial Aid Office, which allows for more accurate information. As part of the normal procedure of performing the calculations, each student's schedule is examined to determine the student's enrollment period so the correct days are used. In addition, a sample of withdrawals each semester is tested against the Department's software to ensure that the administrative software is correctly calculating the refunds. Corrective action has been taken.
- 06-III-C Finding – The College drew down funds in excess of expenditures for the Federal Direct Loan Program. The excess cash was not returned timely.
- Recommendation – The Community College should review expenditures to date prior to drawing down funds to ensure an excess cash position does not occur.
- Current Status – Timely withdrawals are now being performed which will insure that excess

cash does not occur. The Director of Business Services and the Director of Financial Aid meet on a weekly basis to discuss items that impact the other's office. Scheduling of the refund calculations will be disclosed to the Business Office so that cash needs can be determined. As an additional measure, a record of unofficial withdrawal refunds is maintained so that the Business Office will be able to anticipate the amount of cash that could potentially be returned as a result of these withdrawals. Corrective action has been taken.

06-III-D

Finding – The College did not return Title IV funds within 30 days of determination that the student withdrew.

Recommendation – The Community College should track returns of Title IV funds for all withdrawals.

Current Status – Now that the Financial Aid Office is making the calculations for the Title IV funds, regular withdrawal reports are being created for the Financial Aid Office. These reports are created, at a minimum, every two weeks. This provides adequate time to meet the regulation. Corrective action has been taken.

**HAWKEYE COMMUNITY COLLEGE
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
JUNE 30, 2007**

Department of Education:

Hawkeye Community College, respectfully submits the following corrective action plan for the year ended June 30, 2007.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2007.

The findings from the June 30, 2007 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of Independent Auditor's Results, does not include a finding and is not addressed.

The audit disclosed no instances of non-compliance and significant deficiencies as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

SIGNIFICANT DEFICIENCIES:

III-A-07 -Financial Reporting – Federal Supplemental Educational Opportunity Grant (FSEOG) CFDA #84.007 – Federal Work-Study Program CFDA #84.033 – Federal Pell Grant Program CFDA #84.063 – Federal Direct Student Loans CFDA #84.268 – Academic Competitiveness Grant CFDA #84.375 – Adult Education - State Grant Program CFDA #84.002 – Senior Companion Program CFDA #94.016

Recommendation – The College should implement a formal, organized month and year-end closing process that provides for timely reconciliation of certain account balances to ensure timely and accurate financial reporting. The College should also implement procedures to ensure all receivables, capital assets, and interest income are properly identified, classified, and included in the College's financial statements.

Response – We will develop a formal month and year-end closing process and revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

III-B-07 Segregation of Duties – Federal Supplemental Educational Opportunity Grant (FSEOG) CFDA #84.007 – Federal Work-Study Program CFDA #84.033 – Federal Pell Grant Program CFDA #84.063 – Federal Direct Student Loans CFDA #84.268 – Academic Competitiveness Grant CFDA #84.375

Recommendation – The College should continue to maintain separation of the duties of awarding and requesting grant funds.

Response – We will continue to separate these duties.

Conclusion - Response accepted.

III-C-07 GAPS Drawdown Reconciliation – Federal Supplemental Educational Opportunity Grant (FSEOG) CFDA #84.007 – Federal Work-Study Program CFDA #84.033 – Federal Pell Grant Program CFDA #84.063 – Federal Direct Student Loans CFDA #84.268 – Academic Competitiveness Grant CFDA #84.375

Recommendation – The Community College should implement a formal, organized process that provides for yearly reconciliation of drawdowns to ensure timely and accurate financial reporting.

Response – We will develop a formal reconciliation process of drawdowns for the entire year to ensure the proper amounts are recorded.

Conclusion - Response accepted.

**HAWKEYE COMMUNITY COLLEGE
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
JUNE 30, 2007**

If the Department of Education has questions regarding this plan, please call Greg Schmitz at 319-296-2320.

Sincerely yours,

HAWKEYE COMMUNITY COLLEGE

A handwritten signature in black ink, appearing to read "Greg Schmitz", written in a cursive style.

Greg Schmitz, President